

February 7, 2006

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REFERENCE: Gypsum Mine Reclamation

I am in receipt of a Notice of Violation issued to Gypsum Resource Development, Inc. by the State of Utah, Division of Oil, Gas and Mining (DOGM). I do acknowledge the obligation of GRD to reclaim the gypsum mine site that was developed and worked in the early 1990's. According to the explanations and proposal set forth below, I request an extension of time to complete the reclamation or reactivation the mine.

Explanations

1. Upon terminating the mineral claim leases from the claim holders in 1996, Clark Powell, agent for the claim holders' group, insisted that the mine remain active and prohibited GRD from reclaiming the property.
2. To maintain current the mining reports, fees, permit, etc., GRD proposed that Powell assume the cash bond, all reclamation obligations and the mine permit.
3. Powell would not agree to the conditions of assuming the reclamation bond and reclamation obligation but still refused GRD access to reclaim the property.
4. Some time later, Powell signed the then out-dated agreement but did not perfect it with Emery County and BLM, which he was obliged to do.
5. GRD had presented commercial opportunities to Powell for the economic development of the mineral deposit. For lack of understanding and over-valuing the mineral deposit, Powell was ineffective in promoting the economic development of this mineral reserve.
6. As of the end of 2005, Powell has forfeited his mineral claims and now is the first opportunity for GRD to reclaim the property unobstructed by Powell.
7. Reclamation requirements and guidelines obtained from the BLM required reseeding be done in the Fall before November ???. Grading too long a time period before reseeding would require the added costs of disking the property anew at the time of reseeding.
8. After January 1, 2006 is also the first opportunity GRD has had to advance the commercial development of the mineral deposit without Powell's involvement, which mine development and road construction cost GRD upward of \$400,000.

Proposal

GRD requests an extension be granted such that if a new mine plan is not approved and in place, then the reclamation of the property would be completed by November 15, 2006.

Thank you,
Curtis Larkin
GRD, Inc.
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DIV. OF OIL, GAS & MINING